

**TIR-89-0056 and TIRNO-95-D-00062
Incurred Costs Audit For
Fiscal Year Ended December 31, 1999**

October 2001

Reference Number: 2002-1C-013

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

October 23, 2001

MEMORANDUM FOR DAVID A. GRANT
DIRECTOR OF PROCUREMENT
INTERNAL REVENUE SERVICE

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: TIR-89-0056 and TIRNO-95-D-00062: Incurred Costs Audit for
Fiscal Year Ended December 31, 1999 (Audit #200210002.004)

The Defense Contract Audit Agency (DCAA) examined the contractor's Information Technology Segment February 20, 2001 certified final indirect cost rate proposal and related books and records for reimbursement of Fiscal Year 1999 incurred costs. The purpose of the examination was to determine the allowability of direct costs and indirect cost rates and establish audit determined indirect cost rates for January 1, 1999 through December 31, 1999. The proposed rates apply primarily to flexibly-priced contracts.

The DCAA considered the contractor's accounting system adequate. However, the DCAA did qualify its opinion because the contractor's billing system is inadequate. In addition, DCAA questioned the Corporate, and Information & Enterprise Technology Home Office allocations and Fringe Primary benefit expenses.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510 or Daniel Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

Attachment

NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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